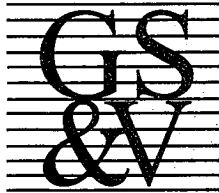


TOWN OF BLADES
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2007



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Blades
20 West Fourth Street
Blades, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Blades, State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2007. The Town of Blades' management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Blades' compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2007 and detail any instances of noncompliance.

The Town of Blades received municipal grant funds under the following programs for the year ended June 30, 2007:

Municipal Street Aid
Police Pension
State Aid to Local Law Enforcement
Emergency Illegal Drug Enforcement

FINDING NO. 07-1 During completion of the Town of Blades' program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid has no segregation of duties due to the lack of personnel which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

RECOMMENDATION The Town should attempt to segregate duties related to cash receipts and disbursements of Municipal Street Aid funds among different Town council members or employees so that additional controls over the Town's municipal grants can be established.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town has hired a new Town Administrator and has a local accountant reconciling the checking account for the Municipal Street Aid Fund. The Town Council will review other procedures to implement the recommendation of segregating duties related to the cash receipts and disbursement of the funds.

FINDING NO. 07-2 During completion of the Town of Blades' program checklist for the Police Pension Funds, it was noted that the annual registration for police pension fund benefits indicated the existence of a police pension fund and names of various fund carriers or managers. Further, the Town's annual financial statements disclose the Police Pension plan policy. The Town maintains a separate money market account into which the police pension funds received from the State of Delaware are deposited. 18 Del. C. §708(b) requires that the funds be transferred to the appropriate pension fund, however, no funds have been transferred from this account into any retirement account for the benefit of police employees, except for a \$2,000. payment into the Individual Retirement Account of one (1) of the Town's police officers. It appears that the separate money market account contains approximately two (2) to two and one-half (2½) years' of state entitlement funds. The previous town administrator handled the town's grant funds, but has since left the employ of the town. The current administrative personnel have no knowledge of the separate police pension fund or how to administer the grant funds. Failure to comply with the provisions of the Delaware Code relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should take measures to investigate the existence of the formal police pension fund account, determine the amount of pension contribution required for all covered police officers, and ensure that the funds received from the State of Delaware be transferred to the appropriate administrator or trustee, or be returned to the state.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town will investigate the existence of a formal police pension fund account. We will ensure that all funds received from the State of Delaware will be transferred to the appropriate account administrator.

FINDING NO. 07-3 During completion of the Town of Blades' program checklist for the State Aid to Local Law Enforcement Program (SALLE), it was noted that the copy of the application form for the grant period November 7, 2006 to November 7, 2007 retained by the Town was not signed or dated by anyone, which is required by the SALLE Manual, Chapter III, item 6. The previous town administrator handled the Town's grant applications and filings. The current Town administrators were not aware of the fact that they needed to retain a signed copy of the application form. Failure to comply with the provisions of guidelines relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should retain a signed and dated copy of the annual application form to be in compliance with SALLE guidelines.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town of Blades will procure a signed and dated copy of the annual application form to be compliant with SALLE guidelines.

FINDING NO. 07-4 During completion of the Town of Blades' program checklist for the State Aid to Local Law Enforcement Program (SALLE), it was noted that the original application requested \$3,654.64 for two (2) computers, but the actual expenditure was only for \$2,886.28. In accordance with the SALLE Manual, Chapter V, Item 2, amendments must be approved by the SALLE Committee when changes to the original agreement exceed twenty percent (20%) of the original application. No amendment request or adjustment was noted in the files. The previous town administrator handled the Town's grant applications and filings. The current Town administrators were not aware of the SALLE requirements. Failure to comply with the provisions of guidelines relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should return the excess funds received, or file an amendment with the SALLE committee indicating the carry-over of any excess funds.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town of Blades will review the expenditures and will follow the recommendation of either returning the funds or filing an amendment with the SALLE committee indicating the carry-over of any excess funds.

FINDING NO. 07-5 During completion of the Town of Blades' program checklist for the State Aid to Local Law Enforcement Program (SALLE), it was noted that no final report for the grant period was prepared or filed as required by the SALLE Manual, Chapter III, Item 9. The previous town administrator handled the Town's grant applications and filings. The current Town administrators were not aware of the SALLE requirements. Failure to comply with the provisions of guidelines relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should comply with all requirements of grant agreements and file full and complete annual final returns as required by SALLE guidelines.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town of Blades will file full and complete annual final returns as required by SALLE guidelines.

FINDING NO. 07-6 During completion of the Town of Blades' program checklist for the State Aid to Local Law Enforcement Emergency Illegal Drug Enforcement (EIDE), it was noted that no final report for the grant period was prepared or filed in accordance with the EIDE Program Manual, Chapter III, Item 10. The previous town administrator handled the Town's grant applications and filings. The current Town administrators were not aware of the SALLE requirements. Failure to comply with the provisions of guidelines relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should comply with all requirements of grant agreements and file full and complete annual final returns as required by EIDE guidelines.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town of Blades will file full and complete annual final returns as required by EIDE guidelines.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 04-1 During completion of the Town of Blades' program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid has no segregation of duties due to the lack of personnel. The Town Administrator controls all the cash functions for the Town, which is a reportable internal control weakness. A proper segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

CURRENT STATUS See finding 07-1.

FINDING NO. 04-2 During completion of the Town of Blades' program checklist for the Municipal Street Aid grant, it was noted during our testing of expenditures that the Town used Municipal Street Aid funds for Christmas light costs and for bars mounted on the windows of the police department building, which are unallowable expenditures.

CURRENT YEAR STATUS No unallowable expenditures noted. The Town reimbursed the Municipal Street Aid Fund for the unallowable expenditures in January, 2006.

FINDING NO. 04-3 During the completion of the Town of Blades' program checklist for the Municipal Street Aid grant, it was noted that their annual report submitted to the Office of the State Treasurer was filed timely, but the annual report was not accurately prepared or reviewed.

CURRENT YEAR STATUS The annual report for the Municipal Street Aid grant was accurately prepared.

FINDING NO. 04-4 During completion of the Town of Blades' program checklist for the Municipal Street Aid grant, it was noted that the Town paid an invoice 30 days after receipt of the invoice.

CURRENT YEAR STATUS All invoices reviewed were timely paid.

FINDING NO 04-5 During completion of the Town of Blades' program checklist for the police pension grant, it was noted that the Town did not submit to the State Board of Pension trustees by April 1, a listing of retired police officers receiving benefits from the Town as of December 31 of the preceding year.

CURRENT YEAR STATUS Since the Town of Blades does not participate in the proceeds of the insurance tax as outlined in 18 Del. C. §708(c)(2) they were not required to file the listing for the current year.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Blade's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer and should not be used by those who

have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Grabowski, Sparano
& Vinclette, CPAs*

Wilmington, Delaware
December 17, 2007